

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27

**STATE OF WASHINGTON
DEPARTMENT OF FINANCIAL INSTITUTIONS
SECURITIES DIVISION**

IN THE MATTER OF DETERMINING
Whether there has been a violation
of the Securities Act of Washington by:

GARY NEIL CRAMER; GLOBAL SMG, INC.;
PETER WALLACE HILL; and DAVID K.
BUCHANAN,
Respondents

S-02-338-02-TO01

**SUMMARY ORDER TO CEASE AND DESIST
AND NOTICE OF INTENT TO IMPOSE FINES**

Case No. S-02-338

THE STATE OF WASHINGTON TO: Gary Neil Cramer and Global SMG, Inc.
Peter Wallace Hill
David K. Buchanan

STATEMENT OF CHARGES

Please take notice that the Securities Administrator of the State of Washington has reason to believe that Respondents, Gary Neil Cramer; Global SMG, Inc.; Peter Wallace Hill and David K. Buchanan, have each violated the Securities Act of Washington and that their violations justify the entry of an order of the Securities Administrator under RCW 21.20.390 to cease and desist from such violations and under RCW 21.20.395 to impose fines. The Securities Administrator finds that delay in ordering the Respondents to cease and desist from such violations would be hazardous to the investors and to the public and that a Summary Order to Cease and Desist should be entered immediately. The Securities Administrator finds as follows:

SUMMARY ORDER TO CEASE AND
DESIST AND NOTICE OF INTENT TO
IMPOSE FINES

TENTATIVE FINDINGS OF FACT

I. RESPONDENTS

1. GARY NEIL CRAMER (“Cramer”) is a Washington resident, who holds himself out as president of Global SMG, Inc.

2. GLOBAL SMG, INC. (“Global SMG”) is purportedly a for-profit corporation that engages in foreign currency trading transactions.

3. PETER WALLACE HILL (“Hill”) was a Washington resident during the time that he offered and sold the investments described in this order. Hill was a registered securities salesperson in the State of Washington from June 2001 to September 2001.

4. DAVID K. BUCHANAN (“Buchanan”) is a Washington resident who solicited investor funds purportedly to arrange currency trades.

II. FOREIGN CURRENCY TRADING WITH EXPECTED RETURNS OF 4% PER WEEK

During 2001, Cramer and Hill offered and sold more than \$65,000 worth of investments through Global SMG to at least six investors, including several Washington investors. The investor funds were supposed to be pooled together and used for foreign currency trading that would generate returns of 4% per week. The investors relied upon Cramer and Hill to generate the return on their investments and did not participate in the currency trading.

When offering and selling the investments, Cramer and Hill each falsely represented that the investments had little risk and that the principal amount of the investment could be withdrawn at any time. Cramer and Hill each failed to disclose significant information about the investments, including the amount of capital required for the purported trading activity, the identity of the purported currency trader, the history and results of the purported currency trading, the specific intended use of the investor

1 funds and the risks of the investment. Cramer and Hill each failed to give the investors any financial
2 statements for the issuer of the investments.

3 III. INVESTMENTS WITH EXPECTED RETURNS OF 20:1 AND 8:1

4 At a meeting held in Vancouver, Washington during November 2001, Cramer, Hill and Buchanan
5 each offered investments to at least six prospective investors. At least two investors, who were both
6 Washington residents, invested a total of more than \$10,000 to purchase short-term investments that
7 were supposed to pay a return of twenty times the amount invested. In February 2002, another
8 Washington resident tried to invest \$10,000 in the same program, but was told by Hill that the twenty-
9 to-one program was no longer available. However, Hill sold the investor another \$10,000 investment
10 by representing that the investor's money would be invested in a similar program that would pay a
11 return of eight times the amount invested. To date, none of the investors have been repaid.
12

13 When offering and selling the investments, Cramer, Hill and Buchanan each falsely represented
14 that the principal amount of the investments was safe and that the investments had little risk. Cramer,
15 Hill and Buchanan each failed to disclose significant information about the investments, including the
16 issuer of the investments, the method of generating the purported return on the investments, the amount
17 of capital required for the purported investments, the identity of the persons who would generate the
18 purported return on the investments, the specific intended use of the investors' funds and the risks of
19 the investments. Cramer, Hill and Buchanan each failed to give the investors any financial statements
20 for the issuer of the investments.
21
22
23

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27

IV. FAILURE TO PRODUCE DOCUMENTS AND GIVE TESTIMONY

Pursuant to a Securities Division subpoena, Cramer was scheduled to produce documents on October 25, 2002 and give testimony on November 1, 2002 regarding the subject of this order. Cramer failed to provide any responsive documents and failed to appear and give testimony.

Pursuant to a Securities Division subpoena, Buchanan was scheduled to produce documents on April 10, 2003 and give testimony on April 22, 2003 regarding the subject of this order. Buchanan failed to provide documents and failed to appear and give testimony. Buchanan's attorney represented that Buchanan would assert his Fifth Amendment privilege and refuse to answer any questions regarding the subject of this order.

V. UNREGISTERED SECURITIES

Global SMG, Inc. investments have never been registered in the State of Washington.

VI. UNREGISTERED SECURITIES BROKER-DEALER AND SECURITIES SALESPERSON

Global SMG has never been registered as a securities broker-dealer in the State of Washington. Cramer and Buchanan have never been registered as securities broker-dealers or securities salespersons in the State of Washington. Hill is not currently registered as a securities broker-dealer or securities salesperson in the State of Washington and he was not registered as such during the time that he offered and sold the investments described in paragraph III of the Tentative Findings of Fact.

VII. EMERGENCY SITUATION AND THREAT TO THE INVESTING PUBLIC

The Securities Administrator finds that the continued offering of investments in the manner described above presents a threat to the investing public. The Securities Administrator finds that an emergency exists and that Respondents should be summarily ordered to cease and desist from

SUMMARY ORDER TO CEASE AND
DESIST AND NOTICE OF INTENT TO
IMPOSE FINES

violations of the Washington Securities Act. The Securities Administrator also finds that Cramer, Global SMG and Buchanan have failed to provide requested documents and testimony pursuant to a Securities Division subpoena.

Based upon the above Tentative Findings of Fact, the following Conclusions of Law are made:

CONCLUSIONS OF LAW

I.

The offer and sale of the investments described above constitutes the offer and sale of a security, as defined in RCW 21.20.005(10) and (12), in the form of an investment contract.

II.

Cramer, Global SMG, Hill and Buchanan have each violated RCW 21.20.140 by offering and selling unregistered securities in the State of Washington.

III.

Cramer, Global SMG, Hill and Buchanan have each violated RCW 21.20.040 by offering and selling securities while not being registered as a securities broker-dealer or securities salesperson in the State of Washington.

IV.

The offer and sale of said securities was made in violation of RCW 21.20.010 because, in connection with the offer and sale of the securities, Cramer, Hill and Buchanan each made untrue statements of material fact and omitted to state material facts necessary in order to make the statements made not misleading.

V.

SUMMARY ORDER TO CEASE AND
DESIST AND NOTICE OF INTENT TO
IMPOSE FINES

1 The Securities Administrator concludes that an emergency exists, that the continued violations of
2 RCW 21.20.010, RCW 21.20.040 and RCW 21.20.140 constitutes a threat to the investing public, and
3 that summary orders to cease and desist from those violations are in the public interest and necessary
4 for the protection of the investing public.

5 SUMMARY ORDER

6 Based on the foregoing,

7 NOW, THEREFORE, IT IS HEREBY SUMMARILY ORDERED that Cramer, Global SMG,
8 Hill, Buchanan and their agents, employees and representatives shall each cease and desist from
9 offering or selling securities in any manner in violation of RCW 21.20.140, the securities registration
10 section of the Securities Act of Washington.

11 IT IS FURTHER SUMMARILY ORDERED that Cramer, Global SMG, Hill, Buchanan and their
12 agents, employees and representatives shall each cease and desist from offering or selling securities in
13 any manner in violation of RCW 21.20.040, the securities broker-dealer and securities salesperson
14 registration section of the Securities Act of Washington.

15 IT IS FURTHER SUMMARILY ORDERED that Cramer, Global SMG, Hill, Buchanan and their
16 agents, employees and representatives shall each cease and desist from offering or selling securities in
17 any manner in violation of RCW 21.20.010, the anti-fraud section of the Securities Act of Washington.

18 NOTICE OF INTENT TO IMPOSE A FINE

19 As described in the foregoing Tentative Findings of Fact and Conclusions of Law, based upon
20 Respondents' offer and sale of unregistered securities, based upon Respondents' failure to register as a
21 securities broker-dealer or securities salesperson and based upon material misrepresentations and
22 omissions made in connection with the offer and sale of securities, the Securities Administrator finds
23

24 SUMMARY ORDER TO CEASE AND
25 DESIST AND NOTICE OF INTENT TO
26 IMPOSE FINES

1 that there have been knowing or reckless violations of the Securities Act of Washington that justify the
2 imposition of a fine pursuant to RCW 21.20.395. Therefore, the Securities Administrator intends to
3 order Gary Neil Cramer, Peter Wallace Hill and David K. Buchanan to each pay a fine of \$10,000.

4 **CONTINUING INVESTIGATION**

5 The Securities Division is continuing to investigate to determine whether there has been any
6 misuse of investor funds by Respondents.

7 **AUTHORITY AND PROCEDURE**

8 This Order is entered pursuant to the provisions of RCW 21.20.390 and RCW 21.20.395 and is
9 subject to the provisions of Chapter 34.05 RCW, the Administrative Procedures Act. The respondents
10 may each make a written request for a hearing as set forth in the NOTICE OF OPPORTUNITY TO
11 DEFEND AND OPPORTUNITY FOR HEARING accompanying this order.

12 If a respondent fails to make a timely request for a hearing, the Securities Administrator intends
13 to adopt the above Tentative Findings of Fact and Conclusions of Law as final and make the summary
14 order to cease and desist permanent as to that respondent and impose the fine sought in this order.
15

16
17 **WILLFUL VIOLATION OF THIS ORDER IS A CRIMINAL OFFENSE.**

18
19 DATED this 29 day of April, 2003

20
21
22 

23 DEBORAH R. BORTNER
24 Securities Administrator

25 SUMMARY ORDER TO CEASE AND
26 DESIST AND NOTICE OF INTENT TO
27 IMPOSE FINES

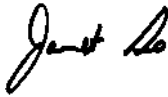
1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27

Approved by:



Michael E. Stevenson
Chief of Enforcement

Presented by:



Janet So
Senior Financial Legal Examiner